bclc
playing it right

2016/17 – 2018/19
SERVICE PLAN

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Accountability Statement

On behalf of our Board of Directors and employees, we are pleased to present BCLC's 2016/17 – 2018/19 service plan.

BCLC continues to meet or exceed net income targets, and stay within comprehensive cost ratio targets, for the Service Plan period by making smart, responsible investments. BCLC's operating costs are impacted by shifts in player product preferences and by changes in business technology; despite this, BCLC continues to manage the cost of operating the business very carefully and will spend less over the Service Plan period through a reduction of capital expenditures, net of investments in operating expenses.

Our service plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with Government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of January 16, 2016 have been considered in preparing the plan. The performance measures presented are consistent with the Taxpayer Accountability Principles, BCLC's mandate and goals and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of BCLC's operating environment, forecast conditions, risk assessment and past performance.

Bud Smith

Chair, Board of Directors

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Strategic Direction and Context

Strategic Direction

Specific direction from Government to BCLC is provided in the 2016/17 Mandate Letter directing BCLC to take specific actions and, in accordance with Government policy and directives, implement the Taxpayer Accountability Principles. These principles and mandate form part of our strategic context and, along with economic and market trends, inform the business choices we make and ensure public interest is being served.

Specifically, in the Mandate Letter, Government has outlined four strategic actions, directing BCLC to: optimize our financial performance and sustain net return to the Province; substantially complete implementation of the Crown Review; submit bi-annual progress reports on the implementation of commitments BCLC is responsible for in the Plan for Public Health and Gambling; and, provide a quarterly report on the implementation of the government's Anti-Money Laundering Strategy.

Operating Environment

Mature markets and increasing competition

B.C.'s gaming market is at a mature stage and, in addition to traditional and other emerging entertainment options, we continue to encounter increased competition from Washington and Nevada casinos, online gaming, fantasy sports and social gaming. BCLC's traditional distribution channels are close to meeting existing market demand and our gaming product portfolio is facing declining relevance due to changing demographics and expectations. BCLC is focused on attracting new players and increasing participation from light and moderate player segments through the creation of new content, and better integrating our digital and bricks and mortar experiences.

Leveraging digital technology to meet evolving player expectations

The convergence of physical and digital experiences is occurring at a pace and magnitude that is disrupting traditional ways of doing business and how customers interact with organizations. Businesses across all sectors are improving their digital experiences for their customers and leveraging it to improve their bricks and mortar experience. This is creating a higher baseline for customer entertainment and service expectations. As new technologies and omni-channel capabilities become commonplace in the marketplace, BCLC must continue to serve its existing player base efficiently while adopting new ways of offering our products to meet consumer expectations in order to sustain and grow revenue. BCLC continues to ensure we remain efficient while addressing aging technology infrastructure that places our ability to sustain current revenues at risk. Recognizing the duty of care BCLC has towards customer information, we continue to be vigilant in the face of cyber-attacks and privacy breaches in order to protect our players, the integrity of our systems, the revenue generated for the Province, as well as our reputation.

Product volatility

There is increasing volatility in BCLC's product mix. In 2014/15, BCLC's record table game revenue helped to mitigate declines in slot and lottery revenues. In 2015/16, the reverse trend is being experienced whereby a decrease in table game revenue is offset by increases in lottery and slot revenues. Lottery has experienced a greater number of large jackpots as compared to the theoretical prediction. Since large jackpots generate higher sales volumes than smaller jackpots, this has resulted in higher than budgeted Lotto sales. As well, slots have rebounded with more British Columbians visiting casinos within B.C. instead of in Washington State. These two factors are helping drive record revenues. Table revenues are dependent on wealthy players and high value international players who may choose to gamble elsewhere and therefore revenues are not reliable. Table play and the number of large jackpots are volatile and present risks for business growth. To mitigate this risk, BCLC sees a need to invest in innovation and infrastructure to support long-term business growth.

Performance Plan

Goals, Strategies, Measures and Targets

Goal 1: Player – we are creating an integrated player focused entertainment company.

Strategies

Develop responsible gambling programs that are effective in reducing gambling related harm.

Across all our games, we continue to focus on programming that encourages healthy gambling decisions. We will develop a performance framework for evidence-based decision making to support outcomes that reduce gambling related harm. We will continue to provide tools for players to make healthy decisions and provide gaming workers with enhanced training to support players.

Create fun player experiences with relevant content in and across games, channels and touch points.

We will introduce new content and experiences to appeal to our light and moderate players to drive growth opportunities. We will continue to enhance our ability to leverage customer insights to create the experiences players are seeking whether it is online, in gaming facilities or at lottery retail locations. In conjunction with the Interprovincial Lottery Corporation, BCLC plans to launch a new game concept to complement the existing national portfolio of Lotto 6/49 and Lotto Max.

Grow and diversify the player base to strengthen our business.

We will strengthen our business by enhancing the value of our entertainment offering and diversifying our player base. We will expand our player communication abilities and increase our customer understanding by continuing to improve our customer relationship management and business intelligence capabilities.

Optimize our distribution channels.

We will continue to leverage investments in our digital and technology infrastructure to deliver exciting games and experiences to our players in our facilities and through our retailers. We will enhance BCLC's current distribution reach by leveraging our mobile presence and the convenience of Lotto Express which makes lottery tickets available with grocery purchase at check-out lanes in major grocery store chains. We will continue to support facility enhancements and improvements to create destinations with broader appeal.

Performance Measure 1: Player Satisfaction

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Player Satisfaction[1]	78%	78%	79%	80%	80%

Data Source: Continuous online tracking study conducted by third-party research professional. Study uses standard market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

Player Satisfaction measures our success in creating fun and entertaining player experiences across our games, channels, and points of purchase. We have adjusted our targets based on historical and forecasted information and are planning to grow player satisfaction in the upcoming years. We will continue to introduce new content to increase players' satisfaction across games, touch points, and channels, whether it is online, in gaming facilities or at lottery retail locations.

Performance Measure2: Player Participation (percent at least monthly)

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Player Participation[1]	51%	49%	50%	51%	52%

Data Source: Continuous online tracking study conducted by third-party research professional. Study uses standard market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

Player Participation helps us gauge how successful we are in diversifying our player base to strengthen our business. We have adjusted future targets based on historical and forecasted information and are planning to grow player participation. We will continue to learn about player expectations and introduce new content, games and experiences to appeal to light and casual players while delivering consistent experiences to our core player base.

Performance Measure 3: Player Awareness of Responsible Gambling Activities

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Player Awareness of Responsible Gambling Activities[1]	79%	75%	74%	73%	73%

Data Source: Continuous online tracking study conducted by third-party research professional. Study uses standard market research industry standard techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

A key component of BCLC's gambling management is our commitment to strengthening responsible gambling programs that encourage healthy gambling choices. Player Awareness of Responsible Gambling Activities measures how effective we are at educating our players regarding responsible gambling tools and resources so they can make informed choices. Based on recommendations made in

[1] Starting in 2014/15, BCLC slightly revised the definition of 'player'; this revision has not had any impact on previous years' results.

the Crown Review Report on BCLC and the Plan for Public Health and Gambling, we are now shifting our focus from delivering messages to a general audience to delivering focused messages to prioritized key audiences, and also shifting from developing and measuring awareness to evaluating the outcomes of responsible gambling programs on harm-reduction. For example, we are implementing new technology on slot machines to enable money and time budgeting tools for players. Based on these changes, we have adjusted targets for this measure.

Performance Measure 4: Net Win per Capita

Performance Measure	2013/14 Benchmarks[1]	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Net Win per Capita	BCLC: $465 Canada: $389 LQ: $346 OLG: $309	$482	$481	$482	$484	$479

Data Source: Net win is from BCLC's financial plan. B.C. population projections are from Statistics Canada. "Population Projections for Canada (2013 to 2063), Provinces and Territories (2013 to 2038). 2015.

1 Benchmarks are calculated using figures from Ontario Lottery and Gaming (OLG) and Loto-Québec's (LQ) fiscal 2013/14 financial statements provided in their published annual reports.

Discussion

Net Win per Capita tells us how successful we are in growing revenue in relation to the provincial population. Net win is calculated for lottery and bingo games by deducting prizes from gross sales. Casino game prizes are paid during game play. The net win is divided by B.C.'s total population based on publicly reported population figures to obtain per capita metrics. Population estimates and projections are updated annually.

Indexing to the total population allows us to benchmark to other jurisdictions, as the age at which legal gambling is permitted varies between jurisdictions. Net Win per Capita will not grow if the population rate of growth is higher than the projected rate of net win growth. Since this measure is widely used in the gambling industry, consistent benchmarking is possible. BCLC has consistently outperformed the benchmark organizations and the Canadian average. B.C. has been successful in attracting tourism to our facilities contributing to our net win, however tourism is not considered part of the population counts for B.C.

In 2014/15, BCLC's Net Win per Capita increased over the previous year due primarily to extraordinary net win generated through high-limit table play. This category is heavily dependent on an international player base and is directly tied to the tourism industry. Lower forecast Net Win per Capita in the outlying 2018/19 forecast year reflects business risks to the high-limit tables category indicated by recent slowdowns in some national economies (particularly in China) and international currency restrictions.

Goal 2: People – we are building an engaged workforce and strong culture.

We strive to demonstrate the value of our work by complying with a rigorous and standardized approach to performance management and employee compensation, consistent with Government's Taxpayer Accountability Principles and other provincial Crown corporations in B.C.

Strategies

We plan our future workforce so our people have the right skills at the right time for the success of our business.

Our human resources programs will continue to nurture a culture and environment that supports BCLC's business strategy. We will continue to invest in leadership and employee development to provide the training and resources needed to sustain and grow net income to Government. We are building talent from within and are preparing our staff for future roles. We are implementing a human resources management system with enabling capabilities to anticipate and manage our future skill and resource requirements.

We are an employer of choice.

For nine consecutive years BCLC has been selected as a top employer in British Columbia. Competition for qualified talent is strong and therefore we continue to pursue excellence in the programs, services and experiences we offer to our workforce.

We are creating a rewarding and inspiring environment where fun is part of the experience.

Our employees are integral to creating fun gambling experiences, and we need a workforce that is passionate and engaged. Our employees drive the success of our business, whether they are modernizing our systems, researching, developing and implementing new products and services, or working with our private sector service providers to enrich the player experience.

Performance Measure 5: Employee Engagement

Performance Measure	2016/17 Actual	2017/18 Forecast	2018/19 Target	2019/20 Target	2020/21 Target
Employee Engagement	78%	83%	83%	83%	83%

Data Source: Anonymous online survey among BCLC employees, conducted by a third-party market research professional using industry standard techniques.

Employee Engagement is defined as the intellectual and emotional commitment employees have to an organization and reflects the dedication employees exert to contribute to the organization's success. A passionate and engaged workforce will help to drive the success of our business, delivering the fun entertainment experiences our players expect. Our employee engagement level has increased compared to the previous year and we plan to maintain this positive level among our workforce in the coming years.

Performance Measure 6: Employee Turnover Rate

Performance Measure	2016/17 Actual	2017/18 Forecast	2018/19 Target	2017/18 Target	2018/19 Target
Employee Turnover Rate	26.7%	11.0%	10.0%	10.0%	10.0%

Data Source: BCLC internal sources. Data is measured on a monthly basis with the year-end calculated by averaging the monthly rates.

Employee Turnover Rate measures the combined percentage of voluntary and involuntary turnover relative to BCLC's total headcount. This measure helps us determine how successful we are in attracting and retaining talent to drive the success of our business. It is an indicator of our competitiveness in the labour market as well as the effectiveness of our training, development and retention programs. We will continue to invest in leadership and employee development. Our focus is on building talent from within our workforce to reduce employee turnover and we have adjusted future targets accordingly.

Goal 3: Public – our business and the benefits it creates are understood, trusted and supported by British Columbians.

Strategies

Our contributions to economic growth and communities are recognized and valued by the public.

More than $1 billion is delivered each year to the Province of B.C. for health care, education, community initiatives and other programs. Building the trust of our players, the public and our stakeholders is critical to the long-term success of our business and provides BCLC with the social license to operate. In order to build support, we will create community based messaging through a program we launched in 2016/17 called "Play it Forward" that provides more information about how gaming revenues benefit communities.

The gambling entertainment choices we offer are delivered with integrity and transparency.

Sustaining net income depends on BCLC's ability to build the public's understanding, trust and support of our business by being a good corporate citizen, demonstrating integrity in what we deliver and how we deliver it, and being transparent in how we manage and conduct our business. It is paramount the public understands our products are fair and our facilities are safe. We will continue to communicate with respect and openness with municipalities when we propose or make changes to gaming facilities.

As part of our mandate, we will participate in a coordinated approach with the Gaming Policy and Enforcement Branch and law enforcement to prevent money laundering in B.C. gaming facilities by focusing on compliance best practices. In addition, we will provide input to the Ministry of Finance in the development of a public information and education strategy and associated action plan for government review and approval.

Performance Measure 7: Public Recognition of Positive Contributions

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Public Recognition of Positive Contributions	69%	67%	69%	69%	69%

Data Source: Continuous online tracking study conducted by third-party market research professional. Study uses standard market research industry techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

This metric measures the percentage of adult British Columbians who agree that BCLC makes positive contributions to British Columbia. Public opinion drives our social license to operate and is critical to the long-term success of our business. This measure gauges our success in increasing the public's understanding of our gambling business and its positive contributions so that our business and its benefits are better understood, trusted and supported by British Columbians. We have increased our targets based on historical and forecasted information and our plans to continue to communicate the positive contributions of BCLC's gambling to communities and the Province.

Performance Measure 8: Public Perception of BCLC's Transparency

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Public Perception of BCLC's Transparency	57%	59%	60%	60%	61%

Data Source: Continuous online tracking study conducted by third-party market research professional. Study uses standard market research industry techniques to randomize the sample, while retaining a gender, age and regional balance that is consistent with B.C. population figures available from Statistics Canada's Census.

To build the public's understanding, trust, and support of our business, it is important that we are transparent in how we manage and conduct our business. Public Perception of BCLC's Transparency helps us gauge our success in becoming increasingly open and forthcoming about our business. We have revised future targets based on historical and forecasted information and our plans to become increasingly transparent. We will continue to act with integrity in what we do and how we do it. We will continuously engage municipalities and communicate with respect and transparency regarding our work and changes to gaming facilities.

Performance Measure 9: Level of Greenhouse Gas Emissions

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Level of Greenhouse Gas Emissions (CO_2e metric tonnes by calendar year)	2014 1,310	2015 1,091	2016 1,110	2017 1,097	2018 1,073

Data Source: Data is obtained from the suppliers of electricity, natural gas, fleet vehicle fuel and paper from internal procurement reporting. Data for electricity and natural gas consumption is verified from billable consumption figures supplied by the respective utilities companies. Usage for our offsite data facility is calculated from meter readings. Fleet vehicle fuel consumption is verified from our fleet vehicle management company reporting. Paper consumption of all types of reportable paper is measured internally each month.

Our reportable greenhouse gas (GHG) emissions result from buildings, fleet vehicles and certain office paper supplies. BCLC uses calculations provided by the Province to convert and report our GHG emissions in a standard format. This calculation is completed and reported in metric tonnes of carbon dioxide emissions (CO_2e) by calendar year.

Since 2010, BCLC has been required to meet the requirements for carbon neutrality set out in the Greenhouse Gas Reductions Target Act and pursue actions to minimize GHG emissions. Sustainability is a key component of our social responsibility mandate and we are advancing environmentally sustainable behaviours in our organizational culture. Future targets have been set using historical and forecast information and we will continue to act upon meeting our long-term goal of a 33 per cent reduction in reportable emissions from a 2007 baseline year by 2020.

Goal 4: Profit – we will optimize net income through investing to sustain the long-term health of our business.

BCLC aims to strengthen its core management capabilities and foster a culture of cost-consciousness. The organization is committed to continual improvement of operational efficiencies and effectiveness to contain costs and align with the Taxpayer Accountability Principles. As part of our mandate, we will optimize BCLC's financial performance and sustain net return to the Province in accordance with government policy and directives under the Gaming Control Act and Treasury Board direction.

Strategies

Define and integrate the innovative experiences our players want, delivered with our strongest partners.

We continue to monitor consumer trends so that we can deliver relevant products and experiences that meet player expectations and provide value for money. With player understanding as a cornerstone and working with best-in-class partners, we will continue to invest in innovative products and services that deliver engaging gambling experiences to our players and grow net income in a socially responsible manner.

Get to market fast with innovations so our games and services are more relevant.

We consistently improve processes, technology, and skills to streamline the information technology, finance and procurement activities that support our business operations. We strive to deliver cost-effective services and bring our products and innovations to market faster, which is key to providing engaging entertainment, growing our player base and sustaining net income for the Province.

Performance Measure 10: Net Income

Performance Measure	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Net Income (millions)	1,254.5	1,230.1	1,242.8	1,260.1	1,260.1

Data Source: BCLC's financial plan.

Net Income is the total amount of income generated by BCLC and delivered to the Province and benefits all British Columbians by funding public health care, education and charitable community programs. Actual results are calculated in accordance with International Financial Reporting Standards (IFRS). This measure is a direct indicator of our success in meeting our mandate to generate income for the benefit of all British Columbians.

Performance Measure 11: Comprehensive Costs Ratio

Performance Measure	2013/14 Benchmarks[1]	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Comprehensive Costs Ratio (% of Net Win)	BCLC: 43.4% LQ: 50.7% OLG: 57.3%	41.9 %	43.2 %	43.4 %	43.6 %	43.6 %

Data Source: BCLC's financial plan.

1 Benchmarks are calculated using figures from Ontario Lottery and Gaming (OLG) and Loto-Quebec's (LQ) fiscal 2013/14 financial statements provided in their published annual reports.

The Comprehensive Costs Ratio is the sum of direct, gaming support, operating, amortization and other costs (excluding taxes) divided by net win and expressed as a percentage. Cost ratios are used to gauge operational efficiency.

The Comprehensive Cost Ratio is sensitive to shifts in product mix since direct costs such as commission rates comprise the majority of the comprehensive cost base. Future year targets incorporate the impact of expected product mix shifts on our Comprehensive Costs Ratio. BCLC's Comprehensive Costs Ratio has historically been below Canadian benchmark comparators.

Financial Plan

Summary Financial Outlook

Consolidated Corporate Operations

$ Millions	2014/15 Actual	2015/16 Forecast	2016/17 Budget	2017/18 Target	2018/19 Target
Revenue	2,904.3	2,942.0	2,970.3	3,006.8	3,000.0
Prizes	659.5	683.5	681.9	679.9	673.1
Net Win	**2,244.8**	**2,258.5**	**2,288.4**	**2,326.9**	**2,326.9**
Direct Costs	718.5	716.9	728.2	743.0	740.7
Gaming Support Costs	35.6	35.8	39.8	40.5	41.4
Operating Costs	118.4	141.9	143.6	145.1	146.5
Amortization and Other	68.1	81.9	82.0	85.2	85.2
Total Costs	**940.6**	**976.5**	**993.6**	**1,013.8**	**1,013.8**
Net Income Before Taxes	1,304.2	1,282.0	1,294.8	1,313.1	1,313.1
Taxes	49.7	51.9	52.0	53.0	53.0
Net Income	**1,254.5**	**1,230.1**	**1,242.8**	**1,260.1**	**1,260.1**
Liabilities	**486.2**	**484.1**	**502.2**	**518.3**	**535.6**
Accumulated Surplus / (Deficit)	(17.1)	(17.1)	(17.1)	(17.1)	(17.1)
Accumulated Other Comprehensive Loss	(57.9)	(57.9)	(57.9)	(57.9)	(57.9)
Total Deficit	**(75.0)**	**(75.0)**	**(75.0)**	**(75.0)**	**(75.0)**

Key Forecast Assumptions

Net income targets are updated through a reforecasting process that analyzes recent revenue trends for each product category to build a projection of baseline contribution margin (revenues less direct costs). Baseline costs for 2015/16 are estimated using a zero-based budgeting approach. Incremental revenues and costs from strategic initiatives are incorporated into baseline projections and result in the financial plan.

Revenue is projected to increase $58.0 million or 0.7 per cent on average over the three-year period. Due to an expected shift in product mix, prizes are estimated to decrease by $10.4 million or 0.5 per cent on average over the three-year period. Net win, which is revenue after prizes paid, is projected to increase by $68.4 million or 1.0 per cent on average over the three-year period.

Direct costs include private sector service provider and retailer commissions, lottery ticket and bingo paper printing, supplies and leases. These are driven by revenue projections of each product category. Direct costs are forecasted to increase $23.8 million or 1.1 per cent on average over the three-year

period.

Gaming support costs are expenses that support revenue generation including systems support, data transmission, equipment installation and maintenance, product delivery, sports odds-setting and internet-based software license and service fees. Costs in this area are forecasted to increase in line with industry trends as BCLC continues to make investments in technology to sustain and enhance core systems that support our player experiences. Also, systems support costs associated with maintaining our online and mobile-enabled gaming site, PlayNow.com, are expected to rise to keep pace with upgrades to our players' desktop operating systems, browsers, security systems and mobile devices.

Operating costs include staffing costs, professional fees, rent, equipment and goods, marketing, communications and financial costs. Operating costs are expected to increase over the forecast period as the company stabilizes its workforce and re-establishes its operational capacity following an organizational restructuring in fiscal year 2014/15.

BCLC is expecting to exceed its net income target for the year ended March 31, 2016 due to exceptional performance in the lottery and slot businesses, partially offset by a predicted decline in the volatile high-limit table business.

Sensitivity Analysis

As indicated above, the business planning process involves a thorough analysis of revenue trends by product category to determine baseline organic growth assumptions. Incremental revenue is added from new and strategic initiatives. As a result, the three-year plan is sensitive to changes in sales mix along with risks associated with future initiatives, such as execution risk, market acceptance and adoption of new products and facilities.

Below is a table outlining the sensitivities at a net win level given the above factors.

	FY17		FY18		FY19	
	High	Low	High	Low	High	Low
Net Win Target	**2,288**	**2,288**	**2,327**	**2,327**	**2,327**	**2,327**
Forecast Risks and Sensitivities						
1% change in Slot Growth Assumption	12	(12)	12	(12)	12	(12)
Volatility in High Limit Table Play	16	(16)	17	(17)	17	(17)
Market adoption/acceptance of new initiatives		(14)		(31)		(37)
Net Win Risk Adjusted	**2,316**	**2,246**	**2,356**	**2,267**	**2,356**	**2,261**

Management Perspective on Future Financial Outlook

Delivering on our net income commitments to Government continues to be challenging given market conditions and trends. The overall gaming industry in B.C. is at a mature stage with stable net income and a modest growth outlook.

Our two major business units (lottery and casino) are mature and face market saturation. Revenues are flattening and margins are sensitive to shifts in product mix. Lottery revenues are heavily dependent on jackpot rolls, resulting in lottery revenue volatility. As well, revenues from these business units rely predominantly on a core, aging player base.

BCLC's gambling products are mature, with the core six products (Slots, Tables, LOTTO MAX, Lotto 6/49, Keno, and Scratch & Win) making up more than 90 per cent of our total contribution margin (revenue less direct costs).

Although our current product mix is extremely profitable, BCLC continues to consider opportunities to grow revenue in a mature market and these opportunities will require investment that may change our current profitability structure. We must support and enhance existing products to retain our existing players. At the same time there is a marked need for innovation. We must invest in the development of new products and channels that will engage new demographics of players. These opportunities take time and investment before we will realize net income growth.

Industry trends in technology related to infrastructure, platforms and software are moving towards hosted-service or internet-based 'Software as a Service' (SaaS) solutions. Benefits typically include increased functionality, enhanced security and lower overall costs. Technology assets generally have relatively short useful lives. SaaS and hosted-service solutions often involve licensing costs, which are recorded as operating expenditures over the life of service contracts. These trends result in a shift from capital to operating expenditures, with lower overall costs and enhanced benefits.

Recently, projects to update and improve performance from aging corporate and gaming systems have involved integrating such technology. Replacing legacy systems, particularly for the lottery business unit as recommended by the Government in its 2014/15 Crown Review of BCLC, is a priority being undertaken on a risk-versus-cost basis. BCLC is exploring all technologies available when replacing its systems. It is expected that such systems will have operating cost components for maintenance and development, whereas in the past such expenditures were capital-intensive. Due to the increasing and changing use of technology, BCLC's forecast reflects this shift from capital to operating expenditures.

Major Capital Projects (over $50 Million)

Currently there are no major capital projects (over $50 million) approved through our business planning process. BCLC has substantially completed the implementation of a new casino gaming management system (GMS) in fiscal 2014/15.

Appendix A:
Hyperlinks to Additional Information

Corporate Governance

- Governance and Oversight
- BCLC Senior Executive

The Board governance information on the corporation's website includes all information required by the Board Resourcing and Development Office's board governance disclosure requirements.

Organizational Overview

- Mission and Values
- Who we are
- What we do
- Customer support

Appendix B:
Subsidiaries and Operating Segments

Active Subsidiaries

The consolidated financial statements of BCLC include a wholly-owned subsidiary, B.C. Lottotech International Inc. ("Lottotech"). The primary purpose of Lottotech is to purchase capital assets and to lease them back to BCLC. Management and oversight of Lottotech is consolidated within BCLC operations and the Board reviews and approves capital budgets through the business planning process.

Business Units' Income Statements

Summary Financial Outlook

$ millions	Actual 2014/15	Projection 2015/16	Projections 2016/17	2017/18	2018/19
Lottery					
Revenue	994.3	1,043.1	1,039.2	1,037.1	1,021.4
Prizes	575.2	598.6	594.6	590.3	581.4
Net win	419.1	444.5	444.6	446.8	440.0
Less: direct expenses	74.2	77.7	78.7	79.0	77.9
	344.9	366.8	365.9	367.8	362.1
Operating expenses:					
General Operating	35.6	42.3	43.4	43.9	44.3
Gaming Support	13.3	13.4	14.4	14.6	14.7
Amortization	9.4	9.3	10.4	12.7	14.8
Other	-	2.3	1.4	1.4	1.3
	58.3	67.3	69.6	72.6	75.1
Net Income Before Taxes	286.6	299.5	296.3	295.2	287.0
Taxes	10.1	11.3	11.3	11.6	11.7
Net income	276.5	288.2	285.0	283.6	275.3
e-Gaming					
Revenue	109.1	121.4	135.3	146.1	157.1
Prizes	35.2	39.3	44.4	48.9	53.1
Net win	73.9	82.1	90.9	97.2	104.0
Less: direct expenses	11.0	14.4	17.6	18.8	20.5
	62.9	67.7	73.3	78.4	83.5
Operating expenses:					
General Operating	15.5	17.8	16.5	16.7	16.8
Gaming Support	7.5	8.7	9.7	10.2	11.0
Amortization	8.5	7.9	6.1	5.8	4.7
Other	0.4	0.8	0.3	0.3	0.3
	31.9	35.2	32.6	33.0	32.8
Net Income Before Taxes	31.0	32.5	40.7	45.4	50.7
Taxes	3.2	3.7	3.7	3.8	3.9
Net income	27.8	28.8	37.0	41.6	46.8
Casino & Community Gaming					
Revenue	1,800.9	1,777.5	1,795.8	1,823.6	1,821.5
Prizes	49.1	45.6	42.9	40.7	38.6
Net win	1,751.8	1,731.9	1,752.9	1,782.9	1,782.9
Less: direct expenses	633.3	624.8	631.9	645.2	642.3
	1,118.5	1,107.1	1,121.0	1,137.7	1,140.6
Operating expenses:					
General Operating	67.3	81.8	83.7	84.5	85.4
Gaming Support	14.8	13.7	15.7	15.7	15.7
Amortization	47.5	54.3	56.5	56.5	55.5
Other	2.3	7.3	7.3	8.5	8.6
	131.9	157.1	163.2	165.2	165.2
Net Income Before Taxes	986.6	950.0	957.8	972.5	975.4
Taxes	36.4	36.9	37.0	37.6	37.4
Net income	950.2	913.1	920.8	934.9	938.0

Capital Expenditures for each Operating Segment

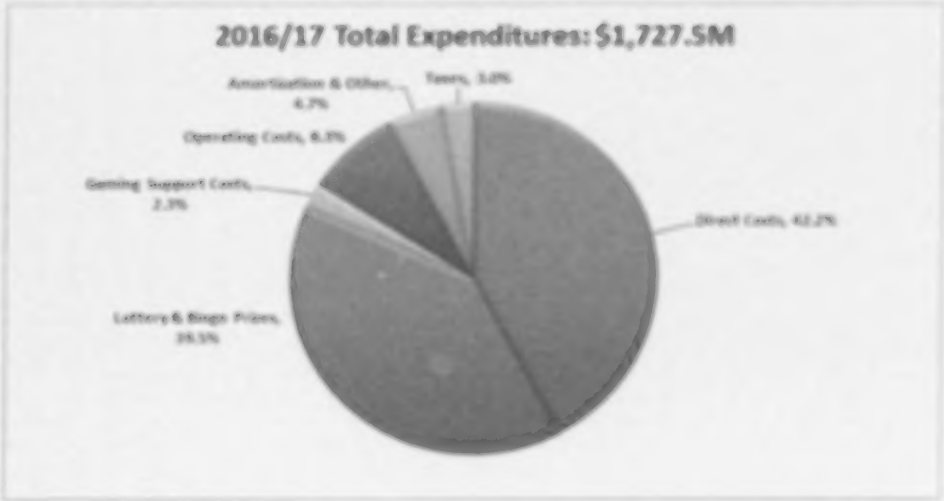
(in millions)	Actual 2014/15	Projection 2015/16	Projection 2016/17	Projection 2017/18	Projection 2018/19
Gambling Systems					
Lottery	4.8	7.7	20.7	20.7	20.7
eGaming	1.7	2.9	4.5	4.5	4.5
GMS	17.8	0.8	-	-	-
Casino & Community Gaming	29.4	47.8	49.5	49.5	49.5
Total gambling systems	**53.7**	**59.2**	**74.7**	**74.7**	**74.7**
Infrastructure, Corporate Systems & Transformation	13.3	10.8	12.6	12.6	12.6
Corporate Facilities	2.5	5.0	2.7	2.7	2.7
Other capital	**15.8**	**15.8**	**15.3**	**15.3**	**15.3**
Total capital	**69.5**	**75.0**	**90.0**	**90.0**	**90.0**

- Lottery's key initiatives include continued expansion of distribution into major grocery store chains through Lotto Express multilane technology. Replacing legacy systems, particularly for the lottery business unit, which was recommended by Government in its 2014/15 Crown Review of BCLC, is a priority being undertaken on a risk-versus-cost basis. BCLC is exploring all technologies available when replacing its systems.
- eGaming continues to expand PlayNow.com's casino gaming content and building applications to improve player experiences through mobile devices.
- Casino & Community Gaming continues to renew and refresh slot machine assets and table games to meet player expectations for exciting new games.

Appendix C:
Operating Expense Breakdown

Total Expenditures

Total expenditures for fiscal 2016/17 are projected at $1.7 billion.



Operating Costs Breakdown

2016/17 Operating Costs: $143.6M
Marketing and Communications, 18.4%
Financial, 0.4%
Buildings, Equipment & Goods, 10.1%
Employee Costs and Professional Fees, 71.2%